

AR45



ANNUAL
REPORT

CONSOLIDATED RAMBLER MINES
LIMITED

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CONSOLIDATED RAMBLER MINES LIMITED

CONSOLIDATED RAMBLER MINES LIMITED

AUTHORIZED CAPITALIZATION

\$5,000,000.00 divided into 5,000,000 shares of the par value
of \$1.00 each.

DIRECTORS

| | | | | | | | |
|-----------------------------|---|---|---|---|---|---|--------------------------|
| M. J. BOYLEN, D.C.L., D.Sc. | - | - | - | - | - | - | Toronto, Ontario |
| PHILIP E. BOYLEN | - | - | - | - | - | - | Toronto, Ontario |
| D. W. GORDON | - | - | - | - | - | - | Toronto, Ontario |
| GORDON L. MOORE | - | - | - | - | - | - | Islington, Ontario |
| GORDON F. PUSHIE | - | - | - | - | - | - | St. John's, Newfoundland |

OFFICERS

| | | | | | | | |
|-----------------------------|---|---|---|---|---|---|----------------------------|
| M. J. BOYLEN, D.C.L., D.Sc. | - | - | - | - | - | - | <i>President</i> |
| D. W. GORDON | - | - | - | - | - | - | <i>Vice-President</i> |
| GORDON L. MOORE | - | - | - | - | - | - | <i>Secretary-Treasurer</i> |
| CHARLES B. BRANNIGAN | - | - | - | - | - | - | <i>Assistant-Secretary</i> |

HEAD OFFICE

| | | | | | | | |
|---------------------------|---|---|---|---|---|---|------------------|
| SUITE 908, 330 BAY STREET | - | - | - | - | - | - | Toronto, Ontario |
|---------------------------|---|---|---|---|---|---|------------------|

MINE OFFICE

| | | | | | | | |
|------------|---|---|---|---|---|---|--------------|
| BAIE VERTE | - | - | - | - | - | - | Newfoundland |
|------------|---|---|---|---|---|---|--------------|

AUDITORS

| | | | | | | | |
|---------------------|---|---|---|---|---|---|------------------|
| SNYDER, CRAIG & Co. | - | - | - | - | - | - | Toronto, Ontario |
|---------------------|---|---|---|---|---|---|------------------|

TRANSFER AGENT and REGISTRAR

| | | | | | | | |
|----------------------------------|---|---|---|---|---|---|----------------------------------|
| GUARANTY TRUST COMPANY OF CANADA | - | - | - | - | - | - | 366 Bay Street, Toronto, Ontario |
|----------------------------------|---|---|---|---|---|---|----------------------------------|

DIRECTORS' REPORT



Left to right: President — M. J. Boylen
Mine Manager — R. F. Nasstrom
Consulting Geologist — O. A. Seeber

TO THE SHAREHOLDERS:

The Annual Report of the Company, including its comparative Balance Sheet and related financial statements for the fiscal year ended December 31st, 1965, and notes relative thereto and the Reports of the Auditors and Mine Manager, is submitted for your consideration.

The year under review was one of financing and expansion. During the year the Company issued 1,200,000 6% 2nd Mortgage Bonds and issued 490,001 shares of the Company's Capital Stock for \$735,001, pursuant to an Offering of Rights to Shareholders. The Bonds and shares were issued to provide funds for the development of the property known as the "East Orebody".

During the year a shaft was sunk on the East Orebody to a depth of 1,125 feet. Milling facilities at the operating property were expanded to accommodate ore from the East Orebody to raise the total milling capacity to 1,500 tons per day. Milling equipment is now being installed at the expansion site. The development programme is now underway at the East Orebody and it is expected production from this body will commence August 1966. Based on a copper price of 44 cents per pound this segment of the Company's operation could generate operating profits in the order of \$2,000,000 annually.

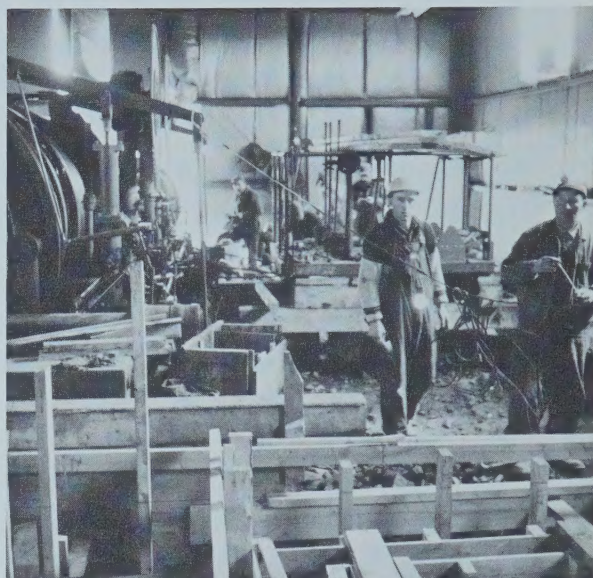
A review of the exploration carried out on the Concession Area on the Great Northern Peninsula during 1964 failed to disclose significant mineralization and it has now been decided that the agreement governing the Concession Area be terminated and the mineral concession abandoned.

During the year 1965 the operation of the mining plant was raised to a high degree of efficiency and this performance is reflected in the operation for the first two months of 1966, as reported upon by the Mine Manager. The performance for January and February 1966 reflects an average tonnage of 448 tons per days — grading 1.19% Copper, 2.16% Zinc, .145 ozs. Gold and .60 ozs. Silver; with recoveries of 96.5% Copper, 85.6% Zinc, 78.0% Gold and 94.3% Silver. It is now apparent that this performance should prevail in the operation of the 500 ton unit at the main property throughout the year 1966.

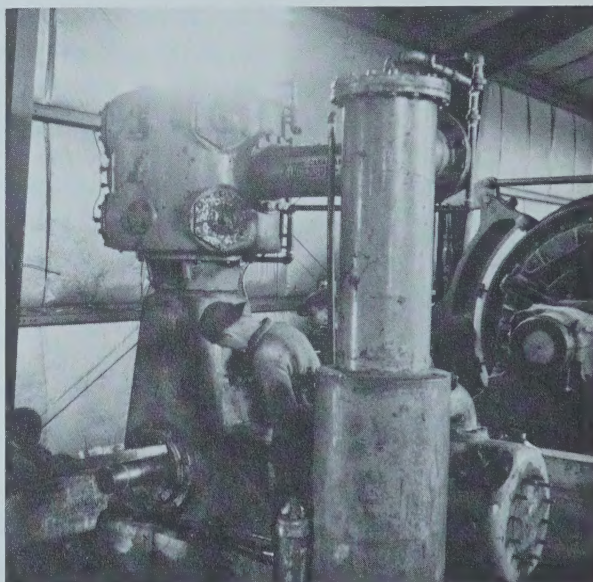
The Directors wish to express sincere appreciation for the loyal cooperation of its staff and its employees for their excellent and untiring efforts which have resulted in bringing the plant up to its present efficient operation.

M. J. Boyle
President.

Dated at Toronto, Ontario,
this 29th day of March, 1966.



Hoist and compressor room facilities — under construction at East Mine.



MINE MANAGERS REPORT

The President and Directors
Consolidated Rambler Mines Limited,
Suite 908 - 330 Bay Street,
Toronto 1, Ontario.

Dear Sirs:

Herewith is submitted a report covering operations at the Baie Verte, Newfoundland property during the year ended December 31, 1965.

The mine produced 136,999 tons of ore which yielded 3,828,704 pounds of copper, 3,932,500 pounds of zinc, 95,327 ounces of silver, 14,996 ounces of gold and 14,504 pounds of cadmium. The value of payable metals after accounting for smelter losses as well as concentrate treatment and handling charges amounted to \$2,153,219.

The following table shows performance data and operating results for the year compared to those for 1964 and also, as a matter of interest, the first two months of 1966.

| | 1964 | 1965 | (Jan. & Feb.) 1966 |
|--------------------------------|-------|-------|-----------------------|
| Tons Milled Per Day | 397 | 375 | 448 |
| Metal Content: | | | |
| Percent Copper | 1.26 | 1.48 | 1.19 |
| Percent Zinc | 2.23 | 1.98 | 2.16 |
| Ounces of Gold Per Ton | 0.127 | 0.141 | 0.145 |
| Ounces of Silver Per Ton | 0.89 | 0.93 | 0.60 |
| Metal Recovery (Percent): | | | |
| Copper | 90.6 | 96.8 | 96.5 |
| Zinc | 59.0 | 78.0 | 85.6 |
| Gold | 61.0 | 77.4 | 78.0 |
| Silver | 57.0 | 77.1 | 94.3 |

The table illustrates that the average grade of ore was somewhat higher in 1965 than in the preceding year. Improved efficiency of the milling operation is reflected in the substantial increase of metal recovery.

The supply of electric power from our diesel operated generators continued to be expensive and uncertain during the year. Experienced diesel operators and maintenance mechanics are most difficult to obtain. All major repairs and inspections are now being done by the manufacturing agents.

Negotiations for the supply of hydro-power have been satisfactorily carried out with The Bowater Power Company Limited.

Delivery of power has been delayed somewhat due to circumstances beyond our control. However, we now expect to receive hydro power in May of this year. The energy will be in the form of 50 cycle power to the mine property where it will be converted to 60 cycles for our operation.

Mine Operating Costs — Per Ton Milled

| | 1965 |
|----------------------------------|----------------|
| Development | \$ 0.74 |
| Mining | 3.87 |
| Milling | 3.09 |
| General and Administrative | 1.69 |
| | <u>\$ 9.39</u> |

The supply and availability of skilled labour was very acute throughout the year. This factor together with higher power costs and a general trend toward increased prices of supplies and equipment coupled with a lower tonnage rate is reflected in the higher unit operating cost.

We are constantly improving our skilled labour and technical personnel, and are employing a nucleus of experienced miners to train local labour in the mine. A higher rate of production, increased tons per man shift, and better maintenance are gradually being achieved.

Exploration

A geochemical survey that was started in 1964 has been completed. This has not been fully assessed as yet but indications are that considerable follow-up investigation work will be necessary.

Ore Reserves

Calculated ore reserves as at January 1, 1966 are shown below compared to those as at August 1, 1964.

| Date | Tons In Place | Copper % | Zinc % | Gold oz/ton | Silver oz/ton |
|-----------------------|------------------|-------------|-----------|----------------|------------------|
| January 1, 1966 | 415,963 | 1.43 | 1.76 | 0.24 | 0.89 |
| August 1, 1964 | 576,235 | 1.44 | 2.03 | 0.21 | 0.78 |

During the period August 1, 1964 to January 1, 1966, 194,430 tons were mined grading 1.42% copper, 2.05% zinc, 0.147 oz. gold and 0.975 oz. silver. As

a result of the mining operation the ore potential increased by 34,000 tons.

The gold grade of ore mined will continue to be lower than the ore reserve figure until such time that we start mining in the extreme west end of the mine where high grade gold intersections were encountered in surface diamond drilling.

To date no mining has been done below the 525' level. During 1966 the 650' level will be developed and the 775' level opened up for exploration. Gains in our reserves are anticipated at the lower horizons where we believe that larger tonnages of lower grade copper ore are available due to change in structure and mineralization.

East Zone Development

Shaft sinking and level station work was completed in December to a depth of 1,125 feet. Installation of shaft conveyances, loading pockets, pumping stations etc. have been finalized. Currently the ore pass system and lateral development is under way.

Construction of plant buildings and installation of equipment at the East Zone site is finished except for minor adjustment. It is anticipated that ore haulage to the mill will start in August 1966.

The expansion of the concentrator building is virtually completed. Installation of machinery and equipment started in January of this year and it is expected to be ready in ample time to receive East Zone ore.

Ore reserves based on surface diamond drilling are estimated at 2,000,000 tons averaging 1.65 percent copper.

I wish to take this opportunity of acknowledging with appreciation the support and assistance of the President and Board of Directors throughout the period.

R. F. NASSTROM, B.A.Sc., P.Eng.,
Mine Manager.

Baie Verte, Newfoundland,
March 15, 1966.

Balance Sheet

DECEMBER 31st, 1965 (with comparative figures for 1964)

ASSETS

| | 1965 \$ | 1964 \$ |
|---|------------------|------------------|
| CURRENT | | |
| Cash | 23,723 | 7,238 |
| Net estimated amount receivable from sale of mineral concentrate (Note 1) | 920,690 | 228,936 |
| Accounts receivable | 85,435 | 7,816 |
| Prepaid expenses and deposits | 37,781 | 14,937 |
| | <u>1,067,629</u> | <u>258,927</u> |
| SUPPLIES | | |
| Materials and supplies on hand and in transit, at cost | <u>288,637</u> | <u>224,016</u> |
| FIXED | | |
| 1 mining lease in the White Bay District, Province of Newfoundland, at cost (Note 2) | 222,068 | 222,068 |
| Land, at cost | 2,565 | 600 |
| Buildings, surface structures and equipment, at cost, less accumulated depreciation of \$247,375 (1964 — \$56,928) | <u>2,578,987</u> | <u>1,800,273</u> |
| | <u>2,803,620</u> | <u>2,022,941</u> |
| MISCELLANEOUS | | |
| Interest in a mining concession on the Great Northern Peninsula, Province of Newfoundland, at nominal value | <u>—</u> | <u>1</u> |
| DEFERRED EXPENDITURES | | |
| Mine development expenses, less amortization | 1,476,019 | 1,183,521 |
| Incorporation and organization expenses | 6,755 | 6,755 |
| | <u>1,482,774</u> | <u>1,190,276</u> |
| | <u>5,642,660</u> | <u>3,696,161</u> |

Approved on behalf of the Board:

M. J. BOYLEN, Director.

G. L. MOORE, Director.

CONSOLIDATED RAMBLER MINES LIMITED

(Incorporated under the Laws of Ontario)

LIABILITIES

| | 1965 \$ | 1964 \$ |
|--|------------------|------------------|
| CURRENT | | |
| Bank loan, secured | 155,000 | 310,000 |
| Accounts payable and accrued liabilities | 924,076 | 514,485 |
| 4½ % First mortgage serial bonds payable July 1st, 1966, par value U.S. \$450,000 | 487,125 | 487,125 |
| 6% Second mortgage bonds payable April 1st, 1966 | 240,000 | — |
| | <u>1,806,201</u> | <u>1,311,610</u> |
| DEFERRED | | |
| 4½ % First mortgage serial bonds, par value U.S. \$600,000 (1964 — U.S. \$1,050,000) (Notes 3, 4 and 5) | 649,500 | 1,136,625 |
| 6% Second mortgage bonds (Notes 6 and 7) | 960,000 | — |
| 5% Unsecured, deferred, subordinated notes and accrued interest (Note 8) | 54,899 | 52,399 |
| | <u>1,664,399</u> | <u>1,189,024</u> |
| SHAREHOLDERS' EQUITY | | |
| CAPITAL STOCK | | |
| Authorized: | | |
| 5,000,000 Shares of \$1.00 par value — \$5,000,000 | | |
| Issued: (Note 9) | | |
| 2,940,006 Shares | 2,940,006 | 2,450,005 |
| Less: Discount thereon | 965,000 | 1,210,000 |
| | <u>1,975,006</u> | <u>1,240,005</u> |
| CONTRIBUTED SURPLUS | | |
| Balance, end of year, unchanged | <u>14,625</u> | <u>14,625</u> |
| EARNED SURPLUS | | |
| Balance, end of year | 182,429 | (59,103) |
| | <u>2,172,060</u> | <u>1,195,527</u> |
| | <u>5,642,660</u> | <u>3,696,161</u> |

The notes attached form an integral part of these financial statements.

Submitted with our Report to the Shareholders dated March 7th, 1966.

SNYDER, CRAIG & CO.,
Chartered Accountants.

CONSOLIDATED RAMBLER MINES LIMITED

Statement of Profit and Loss

For the Year Ended December 31st, 1965

(With comparative figures for four months of 1964)

| INCOME | 1965 \$ | 1964 \$ |
|--|------------------|------------------|
| Gross metal production | 2,738,491 | 667,992 |
| Less: Marketing costs | 585,272 | 156,990 |
| Net metal production | <u>2,153,219</u> | <u>511,002</u> |
| OPERATING EXPENSES | | |
| Mining | 631,718 | 169,542 |
| Milling | 423,848 | 124,148 |
| Mine general expenses | 164,729 | 50,818 |
| Administrative expenses | 67,258 | 18,381 |
| | <u>1,287,553</u> | <u>362,889</u> |
| NET PROFIT on operations before provision for depreciation, mine development expenses written off and provincial mining tax | <u>865,666</u> | <u>148,113</u> |
| PROVISION FOR | | |
| Depreciation of fixed assets | 190,656 | 56,928 |
| Mine development expenses written off | 143,194 | 47,732 |
| Provincial mining tax | 32,710 | 1,064 |
| | <u>366,560</u> | <u>105,724</u> |
| NET PROFIT on operations after provision for depreciation, mine development expenses written off and provincial mining tax | <u>499,106</u> | <u>42,389</u> |
| FINANCIAL EXPENSES | | |
| Interest on first mortgage bonds | 61,995 | 24,082 |
| Financial charge payable to the Province of Newfoundland | 125,856 | 14,144 |
| Other interest | 46,154 | 7,164 |
| | <u>234,005</u> | <u>45,390</u> |
| NET PROFIT for the period | <u>265,101</u> | <u>(3,001)</u> |

CONSOLIDATED RAMBLER MINES LIMITED

Statement of Earned Surplus

For the Year Ended December 31st, 1965

(with comparative figures for 1964)

| | 1965 \$ | 1964 \$ |
|--|----------------|------------------|
| Balance, beginning of year | (59,103) | (40,961) |
| Add: Net profit or (loss) for the year | 265,101 | (3,001) |
| | <u>205,998</u> | <u>(43,962)</u> |
| Deduct: Loss on disposal of fixed assets | 5,977 | 15,141 |
| Exploration costs on mining concession abandoned | 17,592 | — |
| | <u>23,569</u> | <u>15,141</u> |
| Balance, end of year | <u>182,429</u> | <u>(59,103)</u> |

Statement of Mine Development Expenses

For the Year Ended December 31st, 1965

| | \$ | \$ |
|---|---------|------------------|
| Balance, beginning of year | | 1,183,521 |
| Assays | 1,671 | |
| Drifting and cross-cutting | 4,282 | |
| Interest expense | 29,482 | |
| Loading pocket | 12,646 | |
| Mine general expenses | 56,522 | |
| Payment in lieu of work on mining concession | 5,242 | |
| Roads and yards | 18,986 | |
| Shaft sinking | 268,800 | |
| Station cutting | 52,223 | |
| Stope preparation | 500 | |
| Surface exploration | 1,586 | |
| Temporary buildings written off | 1,344 | 453,284 |
| | <u></u> | <u>1,636,805</u> |
| Less: Mine development expenses on mining concession abandoned charged to surplus | 17,592 | |
| Mine development expenses charged to profit and loss | 143,194 | 160,786 |
| | <u></u> | <u>1,476,019</u> |
| Balance, end of year | | |

CONSOLIDATED RAMBLER MINES LIMITED

Statement of Source and Application of Funds

For the Year Ended December 31st, 1965

SOURCE OF FUNDS

| | \$ |
|---|-----------|
| Net earnings | 265,101 |
| Depreciation of fixed assets | 190,656 |
| Amortization of mine development | 143,194 |
| | <hr/> |
| Funds applicable to operations | 598,951 |
| Issue of 6% second mortgage bonds | 960,000 |
| Issue of capital stock | 735,001 |
| Interest deferred on subordinated notes | 2,500 |
| | <hr/> |
| | 2,296,452 |
| | <hr/> |

APPLICATION OF FUNDS

Purchase of fixed assets:

| | |
|--|-------------|
| Land | 1,965 |
| Buildings, surface structures and equipment | 975,347 |
| | <hr/> |
| | 977,312 |
| Mine development | 453,283 |
| Payment of 4½ % first mortgage serial bonds | 487,125 |
| Purchase of materials and supplies | 64,621 |
| | <hr/> |
| | 1,982,341 |
| | <hr/> |
| Resulting in an increase in working capital of | 314,111 |
| Working capital, beginning of year | (1,052,683) |
| | <hr/> |
| Working capital, end of year | (738,572) |
| | <hr/> |

CONSOLIDATED RAMBLER MINES LIMITED

Notes to Financial Statements

December 31st, 1965

AMOUNT RECEIVABLE FROM SALE OF MINERAL CONCENTRATES

1. Mineral concentrates produced have been sold to an independent processor. Final determination of the estimated amount receivable cannot be made until after completion of the refining process.

MINING LEASE

2. The mining lease granted by the Province of Newfoundland is for a term of 30 years from February 1st, 1961, and is renewable for two additional terms of thirty years each. An annual rental is stipulated under the lease equal to one-third of the net profits from all mining operations calculated in accordance with a formula set out in the lease. No rental is payable in respect of fiscal periods up to December 31st, 1965.

4½ % FIRST MORTGAGE SERIAL BONDS

3. The principal amount of the bonds, which are guaranteed by the Province of Newfoundland, becomes due and payable in U.S. funds as follows:

| | |
|----------------|--------------------|
| July 1st, 1966 | \$ 450,000 |
| July 1st, 1967 | 300,000 |
| July 1st, 1968 | 300,000 |
| | <hr/> |
| | <u>\$1,050,000</u> |

4. Under the terms of a Trust Deed, the bonds are secured by a first fixed and specific mortgage, pledge and charge on all the Company's real and immovable freehold and leasehold property and rights, including mining leases, rights, concessions, claims and licenses of occupation, now owned or hereafter acquired, together with all mines, mills, buildings, erections, fixed plant, fixed machinery and fixed equipment, and by a first floating charge on all the other assets of the Company.
5. Under an agreement dated as of November 18th, 1963, and in consideration for the guarantee of the bonds by the Province of Newfoundland, the Company has agreed:
 - (a) that it will pay to the Province of Newfoundland, as a first charge on the net profits, \$350,000 out of the profits derived from mining operations by equal amounts of \$70,000 in each of the calendar years 1964 to 1968 inclusive, but if in any calendar year the sum of \$70,000 is not paid in full, such amount or the unpaid part thereof, is payable in a subsequent calendar year during which the Company shall have derived sufficient profit from its operation, provided that the whole of the \$350,000 shall be paid on or before March 31st, 1969. The liability in respect of 1964 and 1965 has been fully provided for in these Financial Statements.
 - (b) that during the period that any of the bonds remain outstanding or the Company is under any liability to the bondholders in respect of the bonds or to the Government in respect of its guarantee, it will pay, in addition to the usual mining tax of 5% of net income derived from mining, an additional 2% of such net income.

6% SECOND MORTGAGE BONDS

6. The principal amount of the bonds, which were issued during the year under a Trust Indenture dated January 15th, 1965, becomes due and payable in five equal annual instalments of \$240,000 each on April 1st in the years 1966 to 1970 inclusive. The bonds are secured by a second fixed and specific mortgage, pledge and charge on all the property and rights described in Note 4 and by a second floating charge on all the other assets of the Company. They may be redeemed in whole or in part at the Company's option on not less than 30 days' notice, at the principal amount thereof plus accrued and unpaid interest.
7. The bonds were issued to provide funds for the development of the property known as the "East Ore Body". The balance of funds estimated to be required for this purpose was provided by the issue of 490,001 shares of the Company's capital stock for \$735,001 pursuant to an offering of rights to shareholders (Note 9). Mr. M. J. Boylen is committed to provide, or arrange for the Company to be provided with, any additional funds necessary for this purpose.

UNSECURED, DEFERRED, SUBORDINATED NOTES

8. Note holders have the option to purchase shares of the Company at \$1 per share on the due date, December 31st, 1968, in lieu of cash payment.

CAPITAL STOCK

9. During the year, 490,001 shares of the Company's capital stock were issued for a cash consideration of \$735,001 pursuant to an offering of rights to shareholders.

SNYDER, CRAIG & CO.

CHARTERED ACCOUNTANTS

CABLE ADDRESS "JNOCRAIG"
TELEPHONE EMPIRE 6-9444

330 BAY STREET

TORONTO
CANADA

To the Shareholders of

CONSOLIDATED RAMBLER MINES LIMITED,

Toronto, Ontario.

We have examined the Balance Sheet of Consolidated Rambler Mines Limited as at December 31st, 1965, the Statements of Profit and Loss, Earned Surplus, Mine Development and Source and Application of Funds for the year ended on that date, and the Notes to the Financial Statements. Our examination included a general review of accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, the attached Balance Sheet, Statements of Profit and Loss, Earned Surplus, Source and Application of Funds and the Notes to the Financial Statements present fairly the financial position of the company as at December 31st, 1965, the results of its operations and the source and application of its funds for the year ended on that date, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Snyder Craig & Co.

Chartered Accountants.

March 7th, 1966.

